

The Manitoba
Water Services Board

La Commission des services
d'approvisionnement en eau du Manitoba

**Annual Report
2006-2007**

**Rapport annuel
2006-2007**

Manitoba 



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MINISTER OF INFRASTRUCTURE
AND TRANSPORTATION

Room 203
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

August 28, 2007

The Honourable John Harvard
Lieutenant Governor of Manitoba
Government House
200 Kennedy Street
Winnipeg MB R3C 1S4

Your Honour:

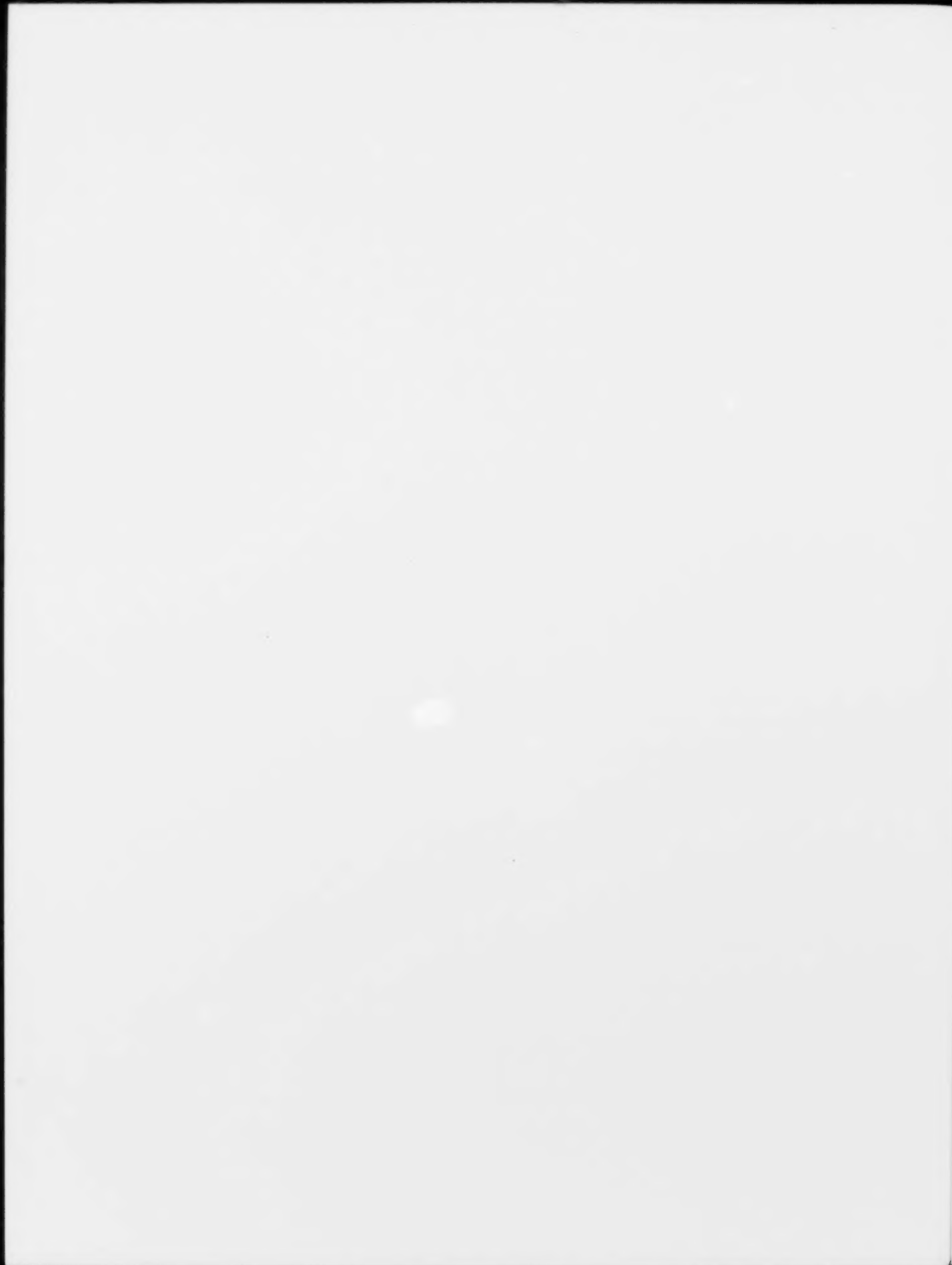
It is my pleasure to present to you The Manitoba Water Services Board Annual Report for the period extending from April 1, 2006 to March 31, 2007. This report records the activities of the Board for that period.

Sincerely,

A handwritten signature in dark ink, appearing to read "R. Lemieux".

Ron Lemieux
Minister of Infrastructure and Transportation





Manitoba



Infrastructure and Transportation

The Manitoba Water Services Board

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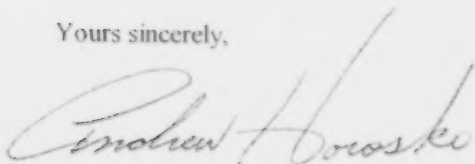
August 28, 2007

Honourable Ron Lemieux
Minister of Infrastructure and Transportation
Room 203, Legislative Building
Winnipeg MB R3C 0V8

Dear Minister:

I have the honour of presenting to you the 35th Annual Report of The Manitoba Water Services Board for the fiscal year ending March 31, 2007, together with the financial statements for the same period.

Yours sincerely,



Andrew Horosko
Chairman



Manitoba
spirited energy



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The Manitoba Water Services Board

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Deputy Minister
Infrastructure and Transportation

Albert Delichte
Ethelbert, Manitoba

Greg McCullough
Winnipeg, Manitoba

Wayne Motheral
Morden, Manitoba

Gerry Berezuk²
Deputy Minister
Water Stewardship

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Standing from Left: Wayne Motheral, Albert Delichte, Greg McCullough
Seated from Left: Andrew Horosko, Dick Menon

¹ Andrew Horosko was appointed as new Chairman on October 11, 2006. The Minister of Manitoba Infrastructure and Transportation is the Minister responsible for The Manitoba Water Services Board.

² Gerry Berezuk was appointed as a Board Member on November 15, 2006 to fill a vacant position.

The Manitoba Water Services Board

Foreword

The Manitoba Water Services Board (Board) was established in July 1972 as a Crown Corporation, under *The Manitoba Water Services Board Act*, to assist in the provision of water and sewerage facilities for the residents of rural Manitoba. The Board replaced The Manitoba Water Supply Board (1959-1972), taking over all responsibilities of the former Board, owning and operating 38 water supply installations in the Province.

In August 1981, the head office of The Manitoba Water Services Board, formerly in Winnipeg, was transferred to Brandon, Manitoba. The Board's primary mandate is the delivery of a Sewer and Water Program, which provides for the installation or upgrading of sewer and water facilities in Manitoba communities.

In 1984, the Board assumed the responsibility of delivering a Water Development Program, which provides for the construction of agricultural area pipelines and farm water sources, with the primary objective being to provide a dependable, sustainable water supply in rural Manitoba. The Board has also been involved in a number of partnership agreements with the Government of Canada, the most recent one being the Partnership Agreement on Municipal Water Infrastructure (PAMWI).

In 1994, the Board assumed responsibility for managing the Conservation Districts Program. Although the Board is no longer responsible for the Conservation Districts Program activities, it continued to provide banking functions for the capital grants to the Districts until March 31, 2007.

The Board, made up of four citizen members chaired by the Deputy Minister of Manitoba Infrastructure and Transportation, reports to the Legislature through the Minister of Infrastructure and Transportation. The Board's activities are managed by a team headed by the General Manager.

The Board, under the authority of the Act, may enter into agreements with any organized area of the Province, including municipalities, local government districts, villages, towns and cities, excluding (a) the City of Winnipeg, (b) the areas under the jurisdiction of the Minister of Aboriginal and Northern Affairs, and (c) those areas of the Province under Federal Government jurisdiction.

La Commission des services d'approvisionnement en eau du Manitoba

Avant-propos

La Commission des services d'approvisionnement en eau du Manitoba est une société d'État créée en juillet 1972 en vertu de la *Loi sur la Commission des services d'approvisionnement en eau du Manitoba*. Sa raison d'être est de faciliter l'approvisionnement en eau et l'installation de systèmes de traitement des eaux usées au bénéfice des résidents des régions rurales du Manitoba. La Commission a succédé à la Manitoba Water Supply Board (1959-1972), héritant de toutes ses responsabilités ainsi que des 38 stations d'approvisionnement en eau qu'elle gère dans l'ensemble de la province.

En août 1981, le siège social de la Commission des services d'approvisionnement en eau du Manitoba a été transféré de Winnipeg à Brandon, au Manitoba. La mission principale de la Commission consiste à mettre en œuvre le Programme de service d'eau et d'égouts qui s'occupe de l'installation et de l'amélioration des systèmes d'eau et d'égouts dans les communautés du Manitoba.

En 1984, la Commission a pris en charge la mise en œuvre du Programme pour l'amélioration des services d'approvisionnement en eau. Ce programme se consacre à la construction de canalisations d'eau dans les régions agricole et à la construction d'infrastructures d'approvisionnement des fermes en eau. L'objectif principal est de fournir aux régions rurales du Manitoba un approvisionnement en eau fiable et renouvelable. Bien que la Commission des services d'approvisionnement en eau du Manitoba ne soit plus responsable des activités du Programme des districts de conservation, elle continue de fournir des services bancaires pour les subventions d'immobilisation accordées aux districts.

En 1994, la Commission a pris en charge la gestion du Programme des districts de conservation. Bien que la Commission des services d'approvisionnement en eau du Manitoba ne soit plus responsable des activités du Programme des districts de conservation, elle a continué de fournir des services bancaires pour les subventions d'immobilisation accordées aux districts jusqu'au 31 mars 2007.

La Commission formée de quatre particuliers et présidée par le sous-ministre d'Infrastructure et Transports Manitoba, rend compte à l'Assemblée législative par l'intermédiaire du ministre de l'Infrastructure et des Transports. Les activités de la Commission sont gérées par une équipe dirigée par le

Once an application for assistance or a resolution is received, the Board prioritizes the project and subject to availability of funds and approvals, makes the necessary physical and technical investigations, an offer (Agreement) is submitted to the municipality for the construction of new works, extensions and/or improvements to existing works. After the municipality has received the necessary Municipal Board approvals, the Agreement is executed and the Board enters into the necessary contracts for Engineering services and construction of the works. Generally, the Board provides Project Management, including interim financing and tendering of all construction contracts, for the projects undertaken.

directeur général.

En vertu de la *Loi*, la Commission peut conclure des ententes avec toutes les administrations locales de la province, notamment les municipalités, les districts d'administration locale, les villages et les villes, à l'exception a) de la ville de Winnipeg, b) des régions relevant du ministre des Affaires autochtones et du Nord et c) des régions de la province relevant du gouvernement fédéral.

Dès qu'elle reçoit une demande d'aide ou une résolution, la Commission détermine la priorité du projet. Puis, sous réserve d'acceptation et de fonds disponibles, elle effectue les recherches physiques et techniques nécessaires. On présente alors à la municipalité une offre (entente) de construction des nouveaux ouvrages, ou d'extension ou d'amélioration des ouvrages existants. Dès que la municipalité obtient les approbations indispensables de son conseil municipal, l'entente est mise en œuvre et la Commission entame le processus nécessaire d'attribution des contrats de services d'ingénierie et de construction des ouvrages. En règle générale, la Commission assume la gestion du projet, y compris le financement provisoire et les appels d'offres pour tous les contrats de construction.

Objectives

The Manitoba Water Services Board has the following specific objectives:

- a) To assist municipalities with the construction of all plants and works necessary for obtaining, collecting, storing, treating, purifying and transmitting water.
- b) To assist municipalities in the transmission of water from a source of supply or a point of storage to a point of acceptance by the individual.
- c) To assist municipalities with the construction of works for the collection of sewage.
- d) To assist municipalities with the construction of works for the treatment and disposal of sewage.
- e) To assist agricultural communities with the upgrading of water supply/treatment facilities and/or sewage treatment systems.

Capital Programs

To meet its objectives, the Board enters into agreements with Municipalities and/or Water Cooperatives, to provide technical and financial assistance to construct and/or upgrade water and/or sewerage infrastructure works. The primary objective is to ensure that a safe and sustainable water supply is available and that the wastewater is treated and disposed of in an environmentally sustainable manner.

Generally, the Board's total annual expenditure for water and sewerage, including Municipal and Federal contribution, is approximately \$30.0M.

Objectifs

Voici les objectifs précis de la Commission des services d'approvisionnement en eau du Manitoba :

- a) aider les municipalités à construire les stations et ouvrages nécessaires pour se procurer l'eau, la recueillir, l'entreposer, la traiter, la purifier et l'acheminer;
- b) aider les municipalités à acheminer l'eau de sa source ou de son lieu d'entreposage jusqu'au point d'alimentation accepté par les particuliers;
- c) aider les municipalités à construire les ouvrages nécessaires à la collecte des eaux usées;
- d) aider les municipalités à construire les ouvrages nécessaires au traitement et à l'évacuation des eaux usées;
- e) aider les communautés agricoles à améliorer les installations d'approvisionnement et de traitement des eaux naturelles, ainsi que les systèmes de traitement des eaux usées.

Programmes 'immobilisations

Pour atteindre ses objectifs, la Commission conclut des ententes avec les municipalités ou les coopératives d'eau afin de fournir une aide technique et financière leur permettant de construire ou d'améliorer des infrastructures hydrauliques ou de traitement des eaux usées. L'objectif principal est de garantir un approvisionnement en eau sécuritaire et renouvelable, ainsi que le traitement et l'évacuation des eaux usées d'une façon renouvelable et respectueuse de l'environnement.

En général, les dépenses totales réalisées par la Commission en matière d'eau naturelle et d'eau usée sont d'environ 30 millions de dollars par an (ce qui inclut les contributions municipales et fédérales).

Activities Carried Out To Meet The Objectives

Water Treatment Plants

1.0 Previously Constructed Works

The Manitoba Water Services Board assumed responsibility for 38 water treatment plants constructed between 1961 and 1972, under the authority of *The Manitoba Water Supply Board Act*.

To meet the objectives of the Board and at the request of the municipalities, the Board has transferred the following water treatment plants:

Hartney, Town	January 1, 1979
Altona, Gretna, Rhineland	March 31, 1987
Letellier, (Montcalm, R.M.)	March 31, 1987
Winkler, Town	January 1, 1989
Holland, (Victoria, R.M.)	December 1, 1991
Gilbert Plains, Town	April 1, 1992
Dominion City, (Franklin, R.M.)	July 1, 1993
St. Jean Baptiste, (Montcalm, R.M.)	December 31, 1993
Ste. Rose du Lac, Village	December 31, 1993
Ste. Agathe, (Ritchot, R.M.)	April 1, 1994
Hamiota, Town	January 1, 1998
Erickson, Town	January 1, 1998
Cartwright, Village	January 1, 1998
Deloraine, Town	April 1, 1998
St. Claude, Village	April 1, 1998
Kenton, (Woodworth, R.M.)	July 1, 1998
Angusville, (Silver Creek, R.M.)	January 1, 1999
Manitou, Town	April 1, 1999
Reston, (Pipestone, R.M.)	April 1, 1999
Russell, Town	April 1, 1999
Elie, (Cartier, R.M.)	June 1, 1999
Pilot Mound, Town	August 1, 1999
Benito, Village	April 1, 2000
Kelwood, (Rosedale, R.M.)	October 1, 2000
Rosburn, Town	November 1, 2000
McCreary, Village	April 1, 2002
Minitonas, Town	March 1, 2003
Bowsman, Village	March 31, 2003
Ethelbert, Village	March 31, 2003
Belmont, (Strathcona, R.M.)	April 1, 2003
Sandy Lake (Harrison, R.M.)	April 1, 2006
Somerset, Village	March 31, 2007

The Manitoba Water Services Board Act requires the Board to set water rates for plants constructed prior to 1972 to recover all capital, operation and maintenance costs. The rates set by the Board are in accordance with a detailed water rate study conducted by the Board, indicating a return of full capital costs and operating deficits based on a 35 year operating life.

At the beginning and ending of the fiscal year the Board owned and operated seven water treatment plants.

Effective April 1, 2007 water rates were increased at Baldur, Inglis, Notre Dame de Lourdes, Oak River and Strathclair. The water rate for Winnipegosis remained unchanged. Rates were determined by the Consumer Price Index of 2.2%, plus increases to cover capital costs.

As the Previously Constructed Water Plants did not receive a Provincial grant during construction and as an inducement to the Municipality to assume the ownership, including operating and maintenance of these plants, The Manitoba Water Services Board has offered to continue to operate the plants, until the deficits are fully recovered through water rates.

Water Treatment Plants (Previously Constructed Works)

Sale of Water Town or Municipality	Consumption 2006-07	Actual Cost of Production per 1,000 I.G.	April 1/07 Selling Price 1,000 I.G.	Type of Treatment
Argyle, (R.M.)(Baldur)	5,101,750	5.67	5.79	A,B,C
Blanshard, (R.M.)(Oak River)	3,659,700	9.60	10.00	B,C,D
Notre Dame de Lourdes, Village	20,587,500	5.25	5.37	B,C,D
Shellmouth-Boulton, (R.M.)(Inglis)	3,646,256	13.95	14.26	B,C,D
Somerset, Village	10,496,200	4.70		A,B,C
Strathclair, (R.M.)(Strathclair)	7,215,124	8.57	8.76	B,C,D
Winnipegosis, Village	9,223,626	8.53	8.53	A,C,D

Type of Treatment:

A - Fluoridation

B - Green Sand Filtration

C - Chlorination

D - Membrane

2.0 Cartier Regional Water Supply System

In 1999, the Board entered into a Public Private Partnership (3P) agreement with CWP Limited Partnership of Winnipeg on behalf of the Rural Municipalities of Cartier, Headingley, Portage la Prairie and St. Francois Xavier, to design, build and operate the Cartier Regional Water Supply System (CRWSS). The ownership of the system will be transferred to the Municipalities when all of the debts are paid.

The four municipalities have, in turn, formed a cooperative, Cartier Regional Water Co-op Inc. (Co-op), for the administration and the eventual ownership of the utility. The Board is represented on the Co-op Board, as an ex-officio member. The Board, at the request of the Co-op, has agreed to be the Project Manager, until the system debts are fully paid through user fees.

The wholesale water rates for 2007-08 were set by the Board at \$6.69 per 1,000 Imperial gallons. The Board, with the concurrence of the Co-op, has increased the rates effective April 1, 2007 to \$6.84, an increase of 2.2% which represents the Consumer Price Index (CPI) increase over the previous year. A further increase will take effect October 1, 2007 raising the wholesale water rate to \$7.75.

3.0 Yellowhead Regional Water System

The area west of the City of Portage la Prairie has generally been referred to as a water short area, susceptible to periodic droughts. Over the past 20 years, MWSB has been working with the area municipalities to develop a sustainable, cost effective option for drought proofing. With the extension of the City of Portage la Prairie's water to the Simplot development in 2002, the option to connect to the City system became a reality.

In 2005, the Yellowhead Regional Water Co-op Inc. was formed with membership consisting of the R.M.s of Westbourne and North Norfolk, the Town of Gladstone and the Village of MacGregor. The Manitoba Water Services Board was included in the Co-op Board as an ex-officio member. The Yellowhead Regional Water Supply System, estimated to cost approximately \$30.0M was started in 2006-07.

Under the agreement signed between the Co-op Board and MWSB, the local cost of the mainlines are to be recovered through water sales. The Manitoba Water Services Board has agreed to act as Project Manager until the capital debt is fully recovered. Also, under the agreement it was determined that the inaugural wholesale water rate would be \$7.50 per 1000 Imperial gallons.

In 2006-07, construction was completed to extend the mainline from the City of Portage la Prairie to the Villages of Bagot, Westbourne and the Town of Gladstone and to rural residents in the area. Plans are underway to extend the lines in 2007-08 to MacGregor, Austin, Ogilvie, Plumas and to rural residents in the surrounding areas. The Regional system has sufficient capacity to be expanded into the Rural Municipalities of Lakeview, Lansdowne and South Norfolk, in the future.

Sewer and Water Program

1.0 Capital Construction

The Board enters into agreements with municipalities when requested and approved. Total project management, which includes entering into engineering consultant agreements, obtaining various approvals, entering into contracts and interim financing, is provided. Also included in the Project Management is project commissioning, monitoring/evaluation of performance and other warranty services as required.

The Board also undertakes a number of projects in partnership with the Federal Prairie Farm Rehabilitation Administration (PFRA), primarily in the area of rural water development. This includes the development, primarily, of community water sources and rural water pipelines.

In 1997, The Manitoba Water Services Board's grant formula was changed, wherein a 2-tier system was adopted. Details of the grant formulas are available at www.gov.mb.ca/tgs/mwsb/.

Agreements between The Manitoba Water Services Board and a municipality generally include all aspects of the project development and implementation. The agreements also allow for a warranty period of one year after substantial completion of the construction works to ensure satisfactory performance of the infrastructure.

Sewer and water activities, including feasibility studies, design and construction, resulted in a total expenditure of \$36.8M, of which \$11.3M was contributed by the Province. Project management and interim financing were provided to 25 substantially completed, 30 ongoing and 17 new projects during the year.

During 2006-07, the following major projects were substantially completed.

- Completion of the 1st phase of the \$30.0M Yellowhead Regional Water System.
- Completion of the \$13.0M water and wastewater system in the Villages of Tyndall and Garson to alleviate a public health problem.
- Completed the \$10.0M wastewater treatment plant in Flin Flon, which incorporates nutrient reduction.
- Completion of the \$2.3M upgrade to the City of Steinbach water treatment plant.
- Completion of a new \$2.4M water treatment system and metering in the Town of Snow Lake.
- Completion of a \$2.8M project to install a full water and sewer system in the Village of Alexander, in the R.M. of Whitehead, to alleviate a public health concern.
- Further development of rural water supply pipelines in the Rural Municipalities of Grey, North Norfolk, Portage la Prairie, Thompson, Wallace and Westbourne, to provide safe, drought resistant water supplies to rural residents for their domestic and livestock needs.

Sewer and Water Projects Substantially Completed during 2006-07 were:

Project	Work Description	Project Costs	Provincial Grants
Brokenhead (2), R.M. Ph. 1	Water and Sewer Mains	\$6,627,526	\$188,258
Brokenhead (3), R.M. Ph. 2	Water Supply and Wastewater Treatment	2,860,696	1,130,348
De Salaberry (2), R.M. (St. Malo)	Water Supply System	139,596	69,797
Flin Flon (8), City Ph. 2 and 3	Sewage Treatment Plant Upgrade	9,498,159	5,698,896
Gladstone (5), Town	Regional Water Supply	800,000	400,000
Grey (8), R.M.	Water Supply Pipeline	1,067,526	364,991
Melita (3), Town	Groundwater Investigation	151,085	75,543
Mountain (2), R.M. (Birch River)	Sewage Collection System	1,114,626	35,288
North Norfolk (2), R.M.	Regional Water Supply	800,000	400,000
North Norfolk, R.M.	Water Supply Pipeline	2,234,138	1,042,436
Portage la Prairie (27), R.M.	Sewage Treatment System	826,038	413,019
Portage la Prairie (29), R.M.	Water Supply Pipeline	1,504,664	501,134
Roblin (9), Town	Watermain Renewal	450,760	135,228
Roland (5), R.M. (Roland)	Sewage Lagoon Upgrade	522,221	261,110
Silver Creek (7), R.M.	Water Treatment Plant Upgrade	352,613	867
Snow Lake (6), Town	Water Treatment Plant Upgrade	2,096,948	1,258,169
Souris (17), Town	Water Treatment Plant Upgrade	113,693	56,847
Ste. Rose du Lac (10), Town	Water Treatment Plant Upgrade	112,722	56,468
Steinbach (4), City	Water Treatment Plant Upgrade	2,089,664	1,044,832
Thompson (8), R.M.	Water Supply Pipeline	582,235	191,848
Wallace (8), R.M.	Water Supply Pipeline	2,616,051	872,017
Westbourne (3), R.M.	Regional Water Supply	800,000	400,000
Whitehead (3), R.M.	Water and Sewer System	2,774,281	1,217,985
Whitemouth (5), R.M.	Water Supply and Wastewater Upgrade	400,078	200,039
Whitewater, R.M.	Infrastructure Assessment Study	24,271	12,134
Total		\$40,559,591	\$16,027,254

Sewer and Water Projects Under Design and/or Construction during 2006-07 were:

Project	Work Description	Agreement Estimate	Estimated Grants
Brandon (5), City	Water and Sewer mains, Booster Station	\$3,000,000	\$1,114,000
Carman (5), Town	Sludge Drying Beds	400,000	200,000
Cartier (14), R.M.	Water Supply Pipeline	750,000	250,000
Dauphin (5), City	Lagoon Upgrade	2,510,000	750,000
Dauphin (7), R.M.	Municipal Water System Study	60,000	20,000
Gimli (9), R.M.	Wastewater Treatment Plant Upgrade	4,890,297	1,350,000
Gimli (10), R.M. Ph. 2	Sewage Treatment Plant	8,000,000	4,000,000
Grey (9), R.M.	Water Supply Pipeline	1,800,000	600,000
Harrison (5), R.M. (Newdale)	Sewage Lagoon Study	40,000	20,000
Lansdowne (3), R.M. (Arden)	Water and Sewer System	1,900,000	582,969
MacGregor (3), Village	Regional Water Supply	800,000	400,000
Melita (4), Town	Water Supply System	3,000,000	1,500,000
Neepawa (13), Town	Water Treatment Plant Study	28,000	14,000
Pilot Mound (8), Town	Water Supply System Study	70,000	52,500
Pipestone (5), R.M.	Municipal Water System Study	30,000	10,000
Portage la Prairie (30), City	Water Treatment Plant Upgrade	1,000,000	500,000
Rivers (3), Town	Water and Sewer System Upgrade	700,000	265,517
Shellmouth-Boulton (6), R.M. (Inglis)	Water Treatment Plant Upgrade	50,000	25,000
Shoal Lake (7), R.M.	Sewage Lagoon Study	32,500	16,250
Somerset (2), Village	Water Treatment Plant Upgrade	30,000	15,000
Springfield (2), R.M.	Regional Wastewater System	4,760,000	2,380,000
Springfield (3), R.M.	Water and Sewer mains	2,100,000	301,200
St. Francois Xavier (3), R.M.	Water and Sewer Extensions	1,125,000	337,500
Stuartburn (4), R.M.	Sewermain Replacement	100,000	50,000
Stuartburn (5), R.M.	Sewermain Replacement	200,000	100,000
Wallace (9), R.M.	Water Supply Pipeline	3,000,000	1,000,000
Wawanesa (3), Village	Water Distribution Study	15,000	7,500
Westbourne (4), R.M.	Water Supply Pipeline and Services	1,000,000	333,333
Yellowhead Water Co-op	Regional Water System	10,000,000	5,000,000
Yellowhead Water Co-op (2), Ph. 2	Regional Water System	3,000,000	1,500,000
Total		\$54,390,797	\$22,694,769

Sewer and Water Construction Agreements Signed during 2006-07 were:

Project (Agreement)	Work Description	Date Signed	Estimated Project Cost
Cartier (14), R.M.	Water Supply Pipeline	February 13, 2007	\$750,000
Dauphin (7), R.M.	Municipal Water System Study	February 14, 2007	60,000
Grey (9), R.M.	Water Supply Pipeline	March 3, 2007	1,800,000
Harrison (5), R.M. (Newdale)	Sewage Lagoon Study	September 20, 2006	40,000
MacGregor (3), Village	Regional Water Supply	March 2, 2007	800,000
Neepawa (13), Town	Water Treatment Plant Study	January 3, 2007	28,000
Pilot Mound (8), Town	Water Supply System Study	November 14, 2006	70,000
Pipestone (5), R.M.	Municipal Water System Study	February 13, 2007	30,000
Shellmouth-Boulton (6), R.M. (Inglis)	Water Treatment Plant Upgrade	December 19, 2006	50,000
Somerset (2), Village	Water Treatment Plant Upgrade	November 30, 2006	30,000
Springfield (3), R.M.	Water and Sewer mains	June 12, 2006	2,100,000
St. Francois Xavier (3), R.M.	Water and Sewer Extensions	June 12, 2006	1,125,000
Thompson (8), R.M.	Water Supply Pipeline	August 8, 2006	600,000
Wallace (9), R.M.	Water Supply Pipeline	February 13, 2007	3,000,000
Wawanesa (3), Village	Water Distribution Study	July 11, 2006	15,000
Whitehead (4), R.M. Ph. 1	Water Supply Pipeline	August 8, 2006	300,000
Yellowhead Water Co-op (2), Ph. 2	Regional Water System	March 7, 2007	3,000,000
Total			\$13,798,000

2.0 Project Management

The Board has over 40 years of experience in Project Managing the development of water and wastewater infrastructure. The Board, when requested and subject to availability of staff resources, agrees to act as Project Manager for other Provincial Departments and/or Municipalities. A memorandum of understanding (MOU) is signed with the requesting agency. All the project costs, including MWSB staff costs are recovered from the requesting agency.

2.1 Manitoba Conservation – Parks Branch

During 2005-06, the Board signed two MOUs with Manitoba Conservation (Parks Branch) to upgrade wastewater treatment facilities at Hecla, Birds Hill, Big Whiteshell and West Hawk Provincial Parks.

During 2006-07, work began on the wastewater treatment facilities at Hecla and Birds Hill. These works will be completed in 2007-08. In addition, designs were begun on upgrading the wastewater treatment facilities at Big Whiteshell and West Hawk.

MWSB also signed a MOU with Manitoba Conservation to assist, on a one-time basis, with the water and wastewater operator certification.

2.2 Manitoba Infrastructure and Transportation (MIT) – Accommodation Services Division

During 2006-07, the Board signed two MOUs with Manitoba Infrastructure and Transportation (Accommodation Services Division) to conduct water and wastewater infrastructure assessment studies for Milner Ridge Correctional Centre and a proposed Women's Correctional Centre (WCC) in Headingley.

2.3 City/R.M. of Dauphin

The Board signed a MOU with the City/R.M. of Dauphin and Manitoba Agriculture, Food and Rural Initiatives (MAFRI) to project manage the development of water and wastewater facilities for the proposed beef kill plant, generally known as Rancher's Choice, a co-operative formed by cattle ranchers. The construction contracts were tendered but not awarded, due to the demise of the Rancher's Choice Co-operative.

3.0 Sustainable Development

On July 1, 1998, the Province proclaimed *The Sustainable Development Act*. The Act requires all Crown Corporations to:

- prepare and adopt a code of practice by July 2003
- prepare and adopt procurement guidelines and goals by December 2002, and
- prepare and adopt financial management guidelines by July 2003

The Board presently has policy guidelines, which deal with all of the requirements of the Act.

The Board considers wastewater and water infrastructure as a basic amenity required to safeguard public health and to provide economic development opportunities for the sustainability of Manitoba's communities.



The Manitoba Water Services Board

Management Report

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the accounting policies noted in the financial statements. The statements are examined by the Office of the Auditor General of the Province of Manitoba, whose opinion is included herein.

To fulfil this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions, and that appropriate policies and procedures are established and respected.

The Provincial Auditor General has free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting of the Board.

R. Menon, P.Eng.
General Manager

C. Bridger
Financial Officer

June 1, 2007

Manitoba
spirited energy



OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Manitoba Water Services Board

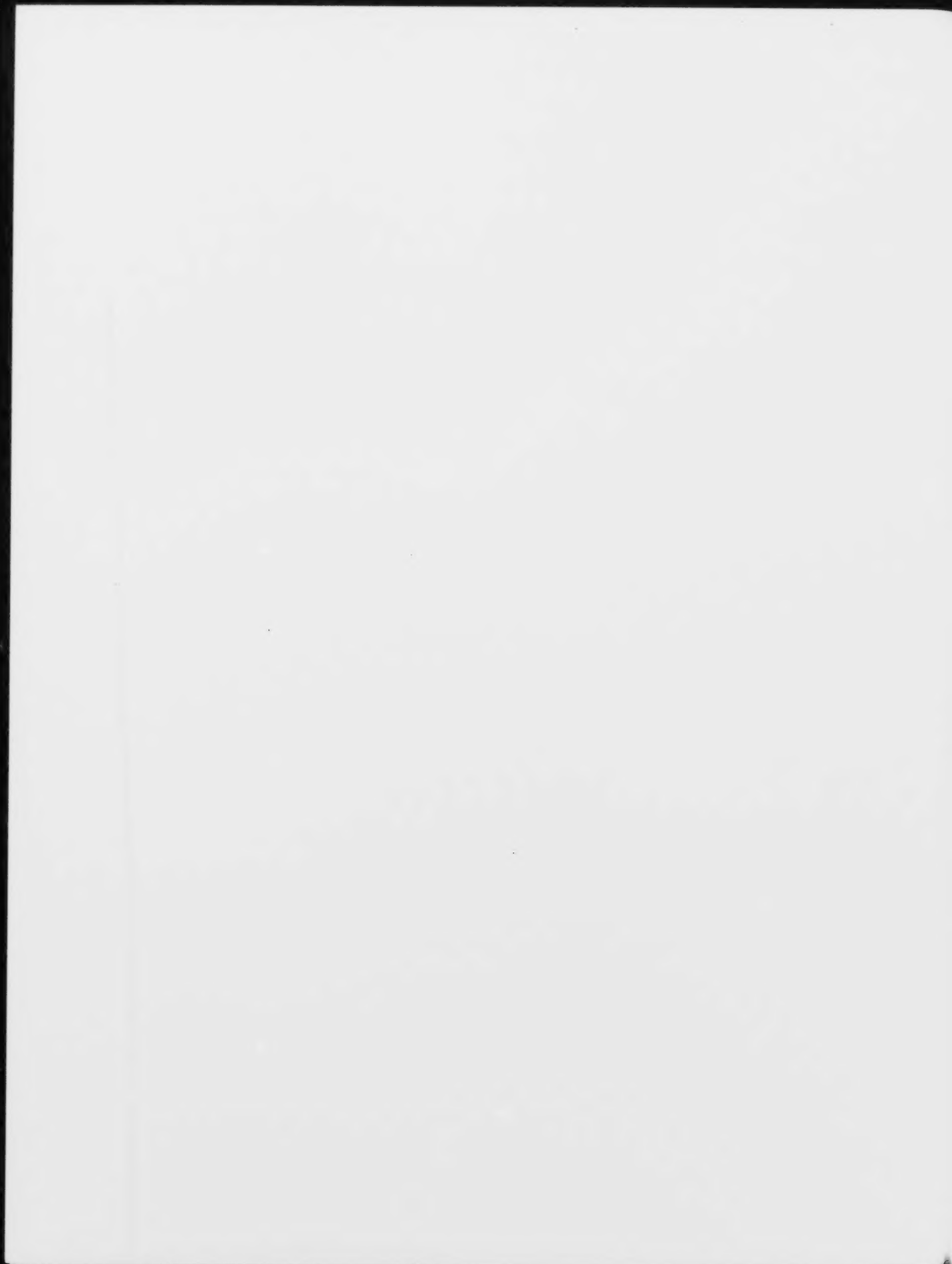
We have audited the balance sheet of The Manitoba Water Services Board as at March 31, 2007, the statements of operating revenues and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Winnipeg, Manitoba
June 1, 2007



The Manitoba Water Services Board

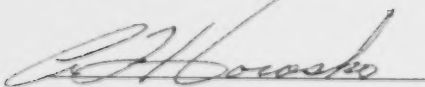
Balance Sheet

as at March 31, 2007

Exhibit A

ASSETS	2007	2006
Current assets		
Cash	\$ 592,107	\$ -
Restricted cash (Note 3)	-	765,292
Accounts receivable	3,689,281	6,409,612
Prepaid supplies	71,379	72,145
Current portion, construction in progress (Note 4)	4,357,354	1,367,486
Accrued interest	41,291	37,515
Current portion of debentures receivable	-	53,216
	<u>8,751,412</u>	<u>8,705,266</u>
Long-term construction in progress (Note 4)	4,458,075	3,160,979
Property plant and equipment (Note 5)	13,304	42,380
	<u>\$ 13,222,791</u>	<u>\$ 11,908,625</u>
LIABILITIES	2007	2006
Current liabilities		
Bank indebtedness	\$ -	\$ 930,966
Accounts payable and accrued charges	4,487,072	4,898,438
Advances from the Province of Manitoba payable on demand	10,200,000	6,800,000
Current portion of long-term debt (Note 6)	3,909	152,570
Infrastructure renewal - Whitemud Conservation District (Note 3)	-	765,292
	<u>14,690,981</u>	<u>13,547,266</u>
Long-term debt (Note 6)		
Advances from the Province of Manitoba	-	3,909
	<u>(1,568,190)</u>	<u>(1,742,550)</u>
Funds retained (Notes 7 and 15)	100,000	100,000
Interest adjustment fund account (Note 8)		
	<u>(1,468,190)</u>	<u>(1,642,550)</u>
	<u>\$ 13,222,791</u>	<u>\$ 11,908,625</u>

APPROVED BY THE BOARD



Statement of Operating Revenues and Expenditures

for the year ended March 31, 2007

	2007	2006
Revenues		
Sale of water	\$ 1,839,914	\$ 1,533,055
Administrative expenses paid by the Province of Manitoba (Note 9)	1,823,808	1,950,193
Interest	127,216	62,523
Total revenues	3,790,938	3,545,771
Expenditures		
Direct expenditures for water supply plants		
Interest - Advances payable on demand	559,431	312,238
- Long-term debt	13,897	27,429
Less: Interest allocated to new construction	(505,171)	(276,041)
	68,157	63,626
Chemicals	37,092	47,242
Amortization	25,528	25,528
Heat, telephone, light and power	228,023	213,399
Professional services	1,209,287	1,123,361
Salaries and benefits	138,281	271,135
Repairs and maintenance	31,330	84,070
Administrative expenses (Note 9)	1,823,808	1,950,193
Total expenditures	3,561,506	3,778,554
Excess (deficiency) of operating revenues over expenditures	229,432	(232,783)
Funds retained, beginning of year	(1,742,550)	(1,500,427)
Disposition of funds (Note 7)	(55,072)	(9,340)
Funds retained, end of year (Note 7)	\$ (1,568,190)	\$ (1,742,550)

The Manitoba Water Services Board
Statement of Cash Flows
for the year ended March 31, 2007

Exhibit C

	2007	2006
Cash provided by (used for):		
Operating activities		
Excess (deficiency) of operating revenues over expenditures	\$ 229,432	\$ (232,783)
Expenditure not involving cash - amortization	25,528	25,528
	254,960	(207,255)
Change in accounts receivable	2,720,331	(3,326,685)
Change in prepaid supplies	766	(21,910)
Change in prepaid professional fees	-	288,000
Change in accounts payable and accrued charges	(411,366)	1,198,041
Change in accrued interest	(3,776)	(19,527)
Cash provided by (used for) operating activities	2,560,915	(2,089,336)
Financing activities		
Advances received	14,900,000	16,400,000
Advances repaid	(11,652,570)	(12,239,144)
Debentures receivable principal recoveries	53,216	123,612
Infrastructure Expenditure	(765,292)	(7,484)
Change in bank indebtedness	(930,966)	231,866
Cash provided by (used for) financing activities	1,604,388	4,508,850
Investing activities		
New construction costs	(36,768,011)	(34,463,182)
Funding recovered from:		
Province of Manitoba	11,152,919	11,121,942
Municipalities	21,328,128	20,922,703
Decrease (increase) in construction in progress	(4,286,964)	(2,418,537)
Capital asset disposals	3,548	879
Plant surplus transferred to municipalities on disposition	(55,072)	(9,340)
Change in restricted cash	765,292	(66,192)
Cash provided by (used for) investing activities	(3,573,196)	(2,493,190)
Increase (Decrease) in cash	592,107	(73,676)
Cash, beginning of the year	-	73,676
Cash, end of the year	\$ 592,107	\$ -

Interest paid during the year ended March 31, 2007 amounted to \$574,521 (2006 - \$340,755)

The Manitoba Water Services Board
Notes to Financial Statements
for the year ended March 31, 2007

1. NATURE OF ORGANIZATION

The Manitoba Water Services Board was established in July 1972 under *The Manitoba Water Services Board Act* to assist in the provision of water and sewage facilities to the residents of rural Manitoba. The Board owns and operates water supply plants in the Province, installs or upgrades water and sewage facilities in Manitoba communities, constructs area water pipelines for agricultural and drought proofing purposes and develops farm water sources.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared using Canadian generally accepted accounting principles. Operating results of all water supply plants operated by the Board are reflected on an aggregate basis in the Statement of Operating Revenues and Expenditures. Separate equity accounts are maintained for each plant operated by the Board (Note 7).

(b) Capital assets

Capital assets represent water supply plants owned by the Board. They are recorded at cost and amortization is calculated on a straight-line basis over the following terms:

Plants constructed prior to January 1, 1972	equipment	18 years
	buildings	35 years
Plants constructed after January 1, 1972	equipment	20 years
	buildings	20 years

Capital assets which are constructed by the Board are recorded as Construction in Progress until the Capital asset is put into use and ownership is transferred to the appropriate municipality. Financing costs are included in the Construction in Progress amounts.

(c) Revenue recognition

Revenue from sale of water is recognized in the period when consumed by the town or municipality.

(d) Administrative expenses paid by the Province of Manitoba

Administrative expenses are paid by the Province of Manitoba on behalf of the Board and recorded at the exchange amount agreed to by the related parties in the financial statements.

(e) Pension costs and obligations

The Board's employees are eligible for membership in the provincially-operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is recorded in the financial statements related to the effects of participation in the pension plan by the Board and its employees.

3. INFRASTRUCTURE RENEWAL

The Board, effective March 31, 2007 has transferred the infrastructure renewal account to the Planning and Coordination Branch of the Department of Water Stewardship to be administered on behalf of the Whitemud Conservation District. This account is to be used for the Province's 75% contribution of the cost of replacing aging waterway bridges and crossings. The balance transferred March 31, 2007, was \$765,994.

The Manitoba Water Services Board
Notes to Financial Statements
for the year ended March 31, 2007

4. CONSTRUCTION IN PROGRESS

	2007	2006
Balance, beginning of year	\$ 4,528,465	\$ 2,109,928
New construction costs	36,768,011	34,463,182
	<u>41,296,476</u>	<u>36,573,110</u>
Funding recovered from:		
Municipalities	21,328,128	20,922,703
Province of Manitoba	11,152,919	11,121,942
	<u>32,481,047</u>	<u>32,044,645</u>
Balance, end of year	8,815,429	4,528,465
Less: current portion	<u>4,357,354</u>	<u>1,367,486</u>
Long-term Construction in Progress	<u>\$ 4,458,075</u>	<u>\$ 3,160,979</u>

5. PROPERTY PLANT AND EQUIPMENT

	2007	2006
Land and easements	\$ 13,304	\$ 16,852
Buildings	645,771	732,350
Less: accumulated amortization	<u>645,771</u>	<u>706,822</u>
	<u>-</u>	<u>25,528</u>
Equipment	189,970	206,666
Less: accumulated amortization	<u>189,970</u>	<u>206,666</u>
Total property plant and equipment	<u>\$ 13,304</u>	<u>\$ 42,380</u>

The Manitoba Water Services Board
Notes to Financial Statements
for the year ended March 31, 2007

6. LONG-TERM DEBT

Year of Maturity	Annual Payment Date	Interest Rate(%)	2007	2006
Advances from the Province of Manitoba:				
2006	October 31	9.800	\$ -	\$ 26,004
2007	March 31	9.625	-	122,993
2007	October 31	9.400	3,909	7,482
Total advances payable			3,909	156,479
Less: current portion			3,909	152,570
Advances payable beyond one year			\$ -	\$ 3,909

The Board has the right at any time to repay in whole or in part the advances from the Province of Manitoba.

7. FUNDS RETAINED

Funds retained consist of accumulated excess revenues over expenditures pertaining to the water supply plants owned and operated by the Board for the benefit of municipalities and pertaining to plants operated by the Board under agreements with municipalities. Separate equity accounts are maintained for each plant operated by the Board. Municipalities are responsible for any deficit balances and are given credit for surplus balances whenever plant operating responsibilities are transferred to the municipalities.

Funds retained also include the gain on the sale of the Red River Regional Water Supply System of \$31,759.

	No.	2007 Amount	No.	2006 Amount
Plants owned by the Board				
Plants with a deficit	6	\$ (1,676,153)	6	\$ (1,845,058)
Plants with a surplus	2	76,204	2	32,170
Total funds retained, water supply plants	8	\$ (1,599,949)	8	\$ (1,812,888)

The Manitoba Water Services Board
Notes to Financial Statements
for the year ended March 31, 2007

7. FUNDS RETAINED (continued)

	2007 Amount	2006 Amount
Other Funds Retained	\$ 31,759	\$ 70,338
Total funds retained	\$ (1,568,190)	\$ (1,742,550)

During 2006/2007 disposition of funds includes the transfer of one water treatment plant to the Village of Somerset, capital works approved by the Board for the Inglis Water Treatment Plant, Strathclair Water Treatment Plant and Lynn Lake Water Treatment Plant, and a contingency fund for the Cartier Regional Water Co-operative.

8. INTEREST ADJUSTMENT FUND ACCOUNT

The Board allocates interest costs to construction projects and to the operations of water supply plants at a rate comparable to the Board's cost of borrowing. The interest allocated and the actual net interest cost incurred by the Board are recorded in the Interest Adjustment Fund Account. Board policy is to maintain a balance of \$100,000 in the Interest Adjustment Fund Account to absorb any shortfall in the allocation of actual net interest costs for the year. Interest costs were fully allocated for both the current and the preceding year.

9. ADMINISTRATIVE EXPENSES PAID BY THE PROVINCE OF MANITOBA

Administrative expenses paid by the Province of Manitoba and included in expenditures are as follows:

	2007	2006
Professional services	\$ 15,710	\$ 14,898
Salaries and benefits	1,551,392	1,609,412
Telephone and utilities	14,088	19,790
Travel	2,291	9,691
Rental for office premises	175,512	171,253
Other administrative	64,815	125,149
	\$ 1,823,808	\$ 1,950,193

The Manitoba Water Services Board
Notes to Financial Statements
for the year ended March 31, 2007

10. COMMITMENTS

	2007	2006
The Board has commitments as follows:		
Signed agreements and offers for construction of sewer and water systems for municipalities and cooperatives.	\$ 33,122,800	\$ 42,839,034
These commitments are expected to be funded as follows:		
Subsidization of construction costs - Province of Manitoba	\$ 15,592,900	\$ 20,002,634
Recovery of construction costs - Municipalities and Cooperatives	17,529,900	22,836,400
	\$ 33,122,800	\$ 42,839,034

The Board recovers construction costs on a current basis from municipalities and cooperatives through funds provided by the Province of Manitoba under *The Loan Act*. As at March 31, 2007, the Province had unused authority of \$20,336,900 under *The Loan Act*, 2006 to provide this financing to the Board for the construction of municipal sewer and water facilities on behalf of municipalities and cooperatives.

The Board pays interest to the Province on these unfixed advances. Interest payable is set at Prime Less 0.75%. During 2006/2007 the rate of interest charged was between 4.80% - 5.25% on a quarterly basis.

11. CONTINGENCIES

The Board is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Board. Any settlement will be recognized in the year the settlement occurs.

12. RELATED PARTY TRANSACTIONS

The Board is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The Board enters into transactions in the normal course of operations and they are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Notes to Financial Statements

for the year ended March 31, 2007

13. USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

14. FINANCIAL INSTRUMENTS

Fair Value

The carrying amounts of cash, accounts receivable, accrued interest, the current portion of debentures receivable, accounts payable and accrued charges, advances from the Province of Manitoba payable on demand, and the current portion of long term debt reported on the balance sheet approximate their fair market value due to their short-term nature.

Credit Risk

The Board, in the normal course of business, is exposed to credit risk from the rural municipalities it serves. The Board's financial assets that are exposed to credit risk consist primarily of accounts receivable and debentures receivable.

Accounts receivable are primarily short-term receivables from rural municipalities. Debentures receivable are long-term receivables from Rural Municipalities which have fixed interest rates and repayment terms. Credit evaluations are done for each Rural Municipality.

Interest Rates

The Board is not exposed to significant interest rate risk due to the short term nature of the current asset and current liabilities, and the fact that its debentures receivable and long-term debt are at fixed interest rates.

15. ECONOMIC DEPENDENCY

The Board is economically dependent on the Province of Manitoba.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

